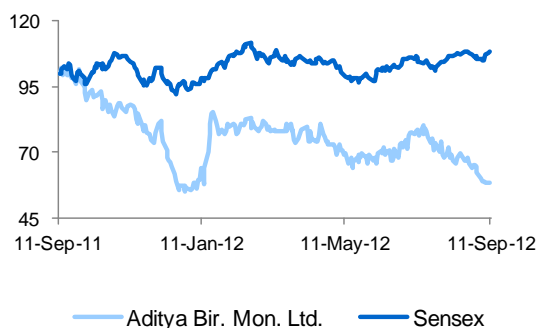


September 11, 2012

CMP	Rs. 11.2
BSE Code	532974
BSE ID	ABML
High/Low 1Y (Rs.)	19.7 / 10.6
Average Volume (3M)	1,881
Market Cap (Rs. Cr.)	68

Shareholding %	Jun-12	Mar-12
Promoters	75.00	75.00
DII [#]	-	-
FII [#]	-	-
Public & Others	25.00	25.00

Stock Chart (Relative to Sensex)



Stock Performance (%)	1M	6M	1Yr
Aditya Birla Money	-11.4	-26.0	-41.8
Sensex	1.7	1.5	8.2

Financials	FY10	FY11	FY12
Revenue	113.2	114.3	88.3
Y-o-Y	35.9%	1.0%	-22.8%
EBITDA	25.4	-1.4	-14.3
Y-o-Y	172.9%	PL	-
Net Profit	12.7	-8.4	-17.8
Y-o-Y	951.5%	PL	-
EPS (Dil.)	2.29	-1.52	-3.22
EBITDA Margin	22.4%	-	-
Net Profit Margin	11.2%	-	-
P/E(x)	4.9x	-	-

Financial year ends at March 31 on consolidated basis.

All figures in Rs. crore except for per share data

[#]FII^s- Foreign Institutional Investors

[#]DII^s- Domestic Institutional Investors

PL - Profit to Loss

LP - Loss to Profit

Aditya Birla Money Ltd.

Company Overview

Aditya Birla Money Ltd. (ABML), a part of Aditya Birla Financial Services Group (ABFSG), was promoted by Prathap C Reddy, Chairman of Apollo Hospitals Group. It was incorporated in 1995 as Apollo Sindhoori Capital Investment Ltd. The company entered into Share Purchase Agreement with Aditya Birla Nuvo Ltd. (ABNL) for sale of 56% equity shares on August 28, 2008. ABNL made an open offer for purchase of 20% equity shares of the company, which was completed on February 24, 2009. Consequently, the company became a subsidiary of ABNL with effect from March 6, 2009 and its name was changed from Apollo Sindhoori Capital Investments Ltd. to Aditya Birla Money Ltd. with effect from August 3, 2009. ABNL picked up 75% stake in ABML, thus becoming the largest shareholder in the company. ABML is primarily engaged in retail equity broking, depository services and distribution of mutual funds. It also offers commodity broking services through its wholly-owned subsidiary, Aditya Birla Commodity Broking Ltd.

Company Fundamentals

The rising trend in total revenue halts in FY12

On a consolidated basis, the total revenue of the company stood at Rs. 88.3 crore in FY12, 22.8% lower than Rs. 114.3 crore in FY11. The fall in total revenue was largely driven by a drop in revenue from operations. The core component of the revenue, i.e., the brokerage income, declined from Rs. 85.2 crore in FY11 to Rs. 71.6 crore in FY12. Revenue from equity broking declined as investment pattern shifted from cash segment towards low-yield derivative products amid lackluster performance of the markets. Retail participation during FY11-12 reduced to 51% compared to 56% in FY 10-11. The year also witnessed the lowest number of new DP account additions, compared to last 7 years.

EBITDA and Net Profit Margins remains red during FY12

The fall in total revenue and higher employee costs kept the EBITDA margin in the negative territory. This had a spillover effect on the net profit margin, which also slipped in to the red. Higher depreciation, higher finance cost and lower other income also added to the margin pressure.

Market share exhibited a positive momentum

Though the financial year 2011-12 was a roller-coaster for the markets with lower retail participation, the company's market share remained at an all-time high in retail broking across all segments. Its market share grew to 1.41% from 0.84% in retail equities and 0.49% from 0.27% in commodities. Commodities business recorded good growth during the year due to increase in volumes in Commodity Market.

Key Strengths

- Continued focus on retail investor segment, cost reduction and improvement in market share
- Association with Aditya Birla Group provides access to the wide distribution network and customers of the group's financial services businesses

Company Business

Aditya Birla Money Ltd. (ABML) is a leading player in the broking space with over 15 years of experience. Incorporated in 1995 as Apollo Sindhoori Capital Investment Ltd., the company began its operations in Chennai in 1996. During the initial phase, it concentrated on establishing and consolidating its presence throughout South India and managed to establish its reach in 13 locations throughout the region until 2001. Gradually, it started reaching out to the other corners of the country and within four years, the company established its presence in over 350 locations all over the country. During the period 2007-08, the client base rose to 1,59,000 from 1,07,000 in the previous year. The number of offices had gone up from 561 in 2006-07 to 798 in 2007-08, while the number of own branches had grown from 168 in 2006-07 to 197 in 2007-08.

In March 2009, the company became a part of the Aditya Birla Nuvo Ltd. (ABNL), when the latter acquired 76% stake of the company. After this, the name of the company was changed to the current one. ABML is now one of the seven companies, representing Aditya Birla Financial Services Group (ABFSG), a part of ABNL.

ABML is a broking and distribution player which offers trading facility in equity segment and derivative segment on leading stock exchanges in India. It is also registered as a depository participant with both NSDL and CDSL. The company also offers services like online bidding for IPO and mutual funds, subscription-based brokerage plans, distribution of mutual funds and insurance. The product portfolio offered by the company also includes trading facility in commodity segment, including bullion, oils, gaur seed etc. through its subsidiary, Aditya Birla Commodities Broking Ltd. During the year 2011-12, the company entered into a strategic alliance with Allahabad Bank to offer broking services to the large customer base of the bank. The company also entered into a strategic tie-up with IDEA Mobile Commerce for exploring and providing mobile trading and other investment services to their clients.

Aditya Birla Money is a single brand offering the combined products and services of ABML and Aditya Birla Money Mart Limited.

Basket of Offerings:

Products	Services
Mutual Funds	Research
Portfolio Management System	Highly proactive services
Direct Equity	Online Portfolio Access
Structured Products	Financial planning
Alternate Asset Products	Regular Portfolio Reviews
Real Estate	
Loan Against Securities and Mutual Funds	
Gold	
Life Insurance	

Industry Overview

Over the years, there has been a considerable expansion of the Indian financial market. This has been the result of various financial market reforms undertaken by the regulators, introduction of innovative financial instruments in recent years and the entry of big domestic and international players. The private sector participation in banking, asset management and brokerage has contributed to the development and modernisation of the financial services sector. Introduction of new products and expansion of delivery channels have helped non-banking financial services sector, such as equities, derivatives and commodities brokerage, residential mortgage and insurance service witness significant growth rates.

Financial brokerage market in India is going through sweeping changes with new players looking to be a part of the highly-competitive brokerage market, characterized by dwindling brokerage and exponential growth of brokers and sub-brokers. The fortune of the brokerage industry is closely linked to the performance of the capital market turnover which, in turn, depends on the performance of the equity market and economic conditions. The industry benefited when impressive Indian GDP growth boosted investors' confidence, resulting in increased participation in the equity markets. Besides, a rise in the number of companies getting listed also increased the average daily turnover.

With the industry having passed through rough phases during 2008-2009 and 2011-12, the profitability of the brokerage houses came under intense pressure with the brokerage income getting adversely impacted and the turnover declining amid falling stock prices and average brokerage yield. Many existing players have been forced to reduce operations due to lack of revenue while many others are surviving on the basis of consolidation. High interest rates offered in fixed deposits and other traditional saving instruments due to turbulent Indian market conditions are acting as major challenges for the market. Global uncertainties have also put huge pressure on the market.

Strengths

- Increased income level in Tier-2 cities
- Huge market potential, given the under penetration of equities as an investment avenue among Indian investor community
- A more flexible cost structure arising from the increased reliance on the franchisee model

Challenges

- Greater dominance of foreign brokerage houses in the institutional broking segment
- Increasing cost of regulatory compliances
- Protecting brokerage yields and market share in the highly competitive and fragmented equity brokerage industry

Competitor Analysis

We have compared ABML with its close peers in the broking industry.

Company	Year End	CMP*	M Cap	Revenue	EBIT Margin	EPS	P/E
Adity Birla Money Ltd.	Mar-12	11.2	68	88	-25.6%	-3.22	-
Emkay Global Fin. Services Ltd.	Mar-12	26.4	62	111	1.33%	0.44	60.0x
Ratnabali Capital Markets Ltd	Mar-12	117.75	61	516	1.89%	11.8	10.0x
Arihant Capital Markets Ltd	Mar-12	17.2	35	64	10.69%	2.01	8.6x

Source: BSE, Capitaline, Market cap and Revenue in Rs. Crore, *CMP as on 11 Sept. 2012, Figures are on consolidated basis

Summary Financials

Particulars (Rs crore)	FY10	FY11	FY12
Income from Operations	102.7	98.4	78.3
Other Op. Revenue	10.5	15.9	9.9
Total Revenue	113.2	114.3	88.3
<i>Growth (%)</i>	<i>35.9%</i>	<i>1.0%</i>	<i>-22.8%</i>
Cost of Goods Sold	0.0	0.0	0.0
Gross Profit	113.2	114.3	88.3
Employee Costs	-23.6	-36.8	-40.4
Other Expenditure	-64.2	-78.8	-62.2
EBITDA	25.4	-1.4	-14.3
<i>Growth (%)</i>	<i>172.9%</i>	<i>PL</i>	<i>-</i>
Depreciation	-6.0	-7.5	-8.3
EBIT Profit	19.4	-8.9	-22.6
Finance cost	-2.8	-4.8	-5.6
Other Income	4.0	9.7	9.0
Exceptional Items	0.0	-8.2	0.0
PBT	20.5	-12.1	-19.3
<i>Growth (%)</i>	<i>906.2%</i>	<i>PL</i>	<i>-</i>
Income Tax	-7.8	3.7	1.4
Profit after Tax	12.7	-8.4	-17.8
Extra Ordinary Items	0.0	0.0	0.0
Net Profit	12.7	-8.4	-17.8
<i>Growth (%)</i>	<i>951.5%</i>	<i>PL</i>	<i>-</i>
Rep. Basic EPS	2.29	-1.52	-3.22
Rep. Diluted EPS	2.29	-1.52	-3.22
Equity Capital	5.5	13.5	13.5
Face value	1	1	1

Ratio Analysis	FY10	FY11	FY12
Margins			
EBITDA Margin (%)	22.4%	-	-
Net Profit Margin (%)	11.2%	-	-
Valuation			
P/E (x)	4.9	-	-
P/BV (x)	1.1	2.2	3.0
Profitability			
ROCE (%)	33.7%	-12.9%	-44.2%
RONW (%)	22.1%	-12.2%	-34.8%
Solvency Ratio			
Debt/ Equity Ratio (x)*	0.7	0.4	1.0
Interest Cover (x)	6.8	-	-

* Bifurcation between Long Term and Short Term Debt is not available for FY10

Contact Details:

ICRA Online Limited
research@icraonline.com

Disclaimer

All information contained in this document has been obtained by ICRA Online Limited from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA Online Limited in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information contained herein must be construed solely as statements of opinion, and ICRA Online Limited shall not be liable for any losses incurred by users from any use of this document or its contents in any manner. Opinions expressed in this document are not the opinions of our holding company and of the subsidiary companies and should not be construed as any indication of credit rating or grading of ICRA for any instruments that have been issued or are to be issued by any entity.

Published on behalf of BSE Investors' Protection Fund

BSE Investor's Protection Fund

First Floor, P J Towers, Dalal Street, Mumbai. Tel: 22721233/34 www.bseindia.com

